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ACTION SS-45

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DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY [illegible] DATE 6/18/81
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EXDIS
SUBJECT: OIL INDUSTRY OFFER TO LIBYA

REFERENCE: STATE 34563; TRIPOLI 507

1. FOR THE RECORD, WE UNDERSTAND REVISED OFFER TABLED BY TEXACO AND SOCAL MARCH 13 IS SUBSTANTIALLY IDENTICAL WITH THAT SUMMARIZED STATE 34563 - WITH FOLLOWING EXCEPTIONS AND CLARIFICATIONS:

A) PROPOSED POSTING INCREASED FROM ORIGINAL OFFER OF $3.27 TO $3.31, BUT TWO CENTS ALSO TAKEN FROM TEMPORARY AND ADDED TO PERMANENT FREIGHT FACTOR. FIRST YEAR ESCALATION OF 12 CENTS CONFIRMED AS PART OF $3.31 POSTING.

B) SURCHARGE OF 5.625 CENTS PER BARREL IN LIEU OF 1970 TAX RATE INCREASES IS RATIONALIZED AS COMPENSATION BY COMPANIES OF AMOUNT GOVERNMENT WOULD HAVE RECEIVED BUT FOR 9 CENT UNDERPOSTING OF LIBYAN CRUDE FROM JANUARY 1965 THROUGH AUGUST 1970. SURCHARGE WOULD BE IN FORCE FOR EACH COMPANY UNTIL IT HAD BEEN PAID ON PRODUCTION EQUIVALENT TO COMPANY'S PRODUCTION DURING PERIOD OF UNDERPOSTING. (COMMENT: THIS VOLUNTARY, EXPLICIT RECOGNITION BY COMPANIES OF HISTORIC LIBYAN GOVERNMENT POSITION, IS QUITE SURPRISING. NOT SURPRISINGLY, HOWEVER, LARG MAINTAINS UNDERPOSTING ACKNOWLEDGED BY COMPANIES IS MUCH TOO LOW). TAX RATE FOR ALL COMPANIES WOULD BE 55 PER CENT, PRESUMABLY WITH EXCEPTION OF OXY WHOSE CONCESSION DEED INCORPORATES EFFECTIVE 5 PER CENT SURTAX.

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C) AGREEMENT TO BECOME EFFECTIVE NO EARLIER THAN DATE OF SIGNATURE AND TO REMAIN IN EFFECT UNTIL 1 JANUARY 1975.

D) COMPANIES ALSO OFFER TO CALCULATE GRAVITY DIFFERENTIAL TO ONE-TENTH DEGREE, AS AGREED AT TEHRAN, AND TO MAKE MONTHLY PAYMENTS OF ROYALTY AND TAXES, AS IN GULF.

2. COMMENTS: IN SUBMITTING THIS OFFER (WHICH JALLUD SUMMARILY REJECTED) COMPANIES REPS APPEAR TO HAVE SLIGHTLY EXCEEDED THEIR ORIGINAL NEGOTIATING AUTHORITY. LARGE VIEWS COMPANIES' OFFER AS $3.19 ($3.31 LESS 12 CENT FIRST YEAR ESCALATION) AND HAS LOWERED ITS OWN SIGHTS TO $3.30 - $3.40 (PLUS RETROACTIVITY, REINVESTMENT, ETC.). THUS, ON SURFACE, THERE APPEARS TO BE GAP OF 10. - 20 CENTS. BUT WE WONDER HOW MUCH, IF ANY GIVE COMPANIES HAVE LEFT. GP-2.
PALMER

NOTE BY OC/T: EXDIS CAPTION INSERTED PER MR. NADZO. S/S-O.

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